

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Ypsilanti	County Washtenaw
Fiscal Year End 12-31-2006	Opinion Date 3-20-2007	Date Audit Report Submitted to State 6-6-2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

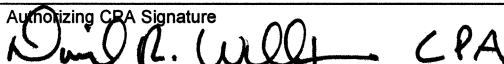
2007

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Post, Smythe, Lutz and Ziel of Plymouth LLP		Telephone Number 734-453-8770		
Street Address 1034 West Ann Arbor Trail		City Plymouth	State MI	Zip 48170
Authorizing CRA Signature  CPA		Printed Name David R. Williamson		License Number 12382

**CHARTER TOWNSHIP OF YPSILANTI
Washtenaw County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
December 31, 2006**

CHARTER TOWNSHIP OF YPSILANTI
For the Year Ended December 31, 2006

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For the Year Ended December 31, 2006

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FINANCIAL SECTION

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Independent Auditor's Report

March 20, 2007

To the Board of Trustees
Charter Township of Ypsilanti
Ypsilanti, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Ypsilanti, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Ypsilanti's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Ypsilanti as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the defined benefit pension plans trend information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Ypsilanti's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

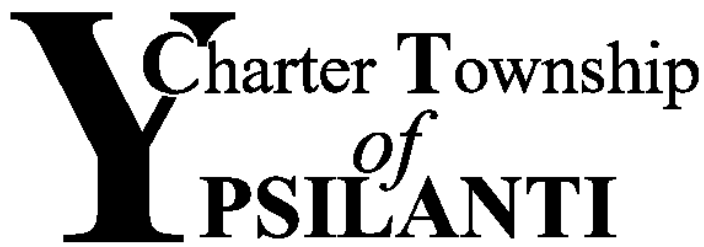
Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

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Management's Discussion and Analysis

As management of Charter Township of Ypsilanti, we offer readers of Charter Township of Ypsilanti's financial statements this narrative overview and analysis of the financial activities of Charter Township of Ypsilanti for the fiscal year ended December 31, 2006.

Financial Highlights

- The assets of Charter Township of Ypsilanti exceeded its liabilities at the close of the most recent fiscal year by \$41,685,724 (*net assets*). Of this amount, \$12,393,814 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Charter Township of Ypsilanti's governmental funds reported combined ending fund balances of \$17,467,172 an increase of \$1,416,138 in comparison with the prior year. Approximately 75 percent of this amount, \$13,178,819 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, the general fund had an unreserved fund balance of \$4,611,583 to meet future obligations.
- Charter Township of Ypsilanti's "Governmental" total long term debt increased by \$1,161,787 (11 percent) during the current fiscal year due to new debt issued related to land improvements, net of repayments.
- The General Fund reported a net decrease in Fund Balance of \$49,239.
- State shared revenue for the current year is \$4,440,742 compared to \$4,516,061 for the prior year. In the current year, state shared revenue represents 43 percent of the total revenue available for the General Fund and 46 percent in the prior year. The state anticipates that the state shared revenue for the 2007 fiscal year will remain constant with 2006. The 2007 budget is set at \$9,832,150.
- Property Tax revenues are \$16,015,774. The increase of \$565,361 (3.65 percent) is largely attributable to higher taxable property values.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Charter Township of Ypsilanti's basic financial statements. Charter Township of Ypsilanti's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Charter Township of Ypsilanti's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Charter Township of Ypsilanti's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Charter Township of Ypsilanti is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Charter Township of Ypsilanti that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Charter Township of Ypsilanti include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of Charter Township of Ypsilanti include the Golf Course.

The government-wide financial statements include not only Charter Township of Ypsilanti itself (known as the *primary government*), but also the Ypsilanti Township Economic Development Authority which is a separate legal entity for which Charter Township of Ypsilanti is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government.

The Township participates in a joint venture with the City of Ypsilanti known as the Ypsilanti Community Utilities Authority. The Authority issues bonds that are backed by the full faith and credit (subject to constitutional limitations) of the City or the Township. The Authority provides water and sewer services to residents of the City, Township and other entities and is a separate legal entity with its own financial obligations and independent reporting. There is no expectation that the Township will pay the Authority's financial obligations and therefore the Authority is not included as part of the Township's financial statements.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Charter Township of Ypsilanti, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Charter Township of Ypsilanti can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Charter Township of Ypsilanti maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, fire, environmental services, law enforcement, and 2006 capital improvement capital projects fund, all of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

A budgetary comparison statement has been provided for the major budgetary funds, as well as the Recreation Fund, to demonstrate compliance with their annual appropriated budgets.

Proprietary funds. Charter Township of Ypsilanti maintains a single proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Charter Township of Ypsilanti uses an enterprise fund to account for its Golf Course. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among Charter Township of Ypsilanti's various functions. Charter Township of Ypsilanti uses internal service funds to account for its fleet of vehicles and its composting activities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Golf Course, which is not considered to be a major fund of Charter Township of Ypsilanti.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Charter Township of Ypsilanti's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Charter Township of Ypsilanti's progress in funding its obligation to provide pension benefits to its employees. Pension funding required supplementary information can be found on pages 54-55 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 56-70 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Charter Township of Ypsilanti, assets exceeded liabilities by \$41,685,724 at the close of the most recent fiscal year.

By far the largest portion of Charter Township of Ypsilanti's net assets (60 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. Charter Township of Ypsilanti used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Charter Township of Ypsilanti's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Charter Township of Ypsilanti's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 22,838,934	\$ 20,912,537	\$ 87,165	\$ 148,907	\$ 22,926,099	\$ 21,061,444
Capital Assets	32,735,199	31,066,845	2,191,983	2,089,990	34,927,182	33,156,835
Total Assets	55,574,133	51,979,382	2,279,148	2,238,897	57,853,281	54,218,279
Long-term Liabilities						
Outstanding	11,973,010	10,811,223	8,206	8,012	11,981,216	10,819,235
Other Liabilities	4,002,919	3,791,792	183,422	38,952	4,186,341	3,830,744
Total Liabilities	15,975,929	14,603,015	191,628	46,964	16,167,557	14,649,979
Net Assets:						
Invested in Capital Assets, net of related debt	22,935,709	22,318,245	2,067,848	2,089,990	25,003,557	24,408,235
Restricted	4,288,353	3,803,372	-	-	4,288,353	3,803,372
Unrestricted	12,374,142	11,254,750	19,672	101,943	12,393,814	11,356,693
Total Net Assets	\$ 39,598,204	\$ 37,376,367	\$ 2,087,520	\$ 2,191,933	\$ 41,685,724	\$ 39,568,300

An additional portion of Charter Township of Ypsilanti's net assets \$4,288,353 (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$12,393,814) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Charter Township of Ypsilanti is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets increased by \$2,117,424 during the current fiscal year. This increase represents the degree to which current revenues exceed ongoing expenditures.

Governmental Activities. Governmental activities increased Charter Township of Ypsilanti's net assets by \$2,221,837:

	Governmental Activities		Business Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Charges for Services	\$ 5,001,171	\$ 4,903,115	\$ 714,803	\$ 749,420	\$ 5,715,974	\$ 5,652,535
Operating Grants & Contributions	86,731	190,332	-	-	86,731	190,332
Capital Grants & Contributions	887,576	213,400	-	-	887,576	213,400
General Revenues:						
Property Taxes	16,015,774	15,450,413	-	-	16,015,774	15,450,413
State Shared Revenues	4,440,742	4,516,061	-	-	4,440,742	4,516,061
Unrestricted Investment Earnings	1,183,267	592,756	4,135	4,544	1,187,402	597,300
Other	-	65,241	-	7,947	-	73,188
Total Revenues	27,615,261	25,931,318	718,938	761,911	28,334,199	26,693,229
Program Expenses						
General Government	6,353,170	5,629,242	-	-	6,353,170	5,629,242
Public Safety	10,982,528	10,605,810	-	-	10,982,528	10,605,810
Planning	24,445	29,981	-	-	24,445	29,981
Public Works	4,347,917	3,040,950	-	-	4,347,917	3,040,950
Recreation and Culture	2,082,337	2,199,353	-	-	2,082,337	2,199,353
Other	1,256,019	1,778,472	-	-	1,256,019	1,778,472
Interest on Long-Term Debt	347,008	325,164	-	-	347,008	325,164
Golf Course	-	-	823,351	821,533	823,351	821,533
Total Expenses	25,393,424	23,608,972	823,351	821,533	26,216,775	24,430,505
Change in Net Assets	\$ 2,221,837	\$ 2,322,346	\$ (104,413)	\$ (59,622)	\$ 2,117,424	\$ 2,262,724

Significant Factors:

Property Tax Revenues increased by \$565,361 to \$16,015,774 in the current period, due to higher taxable property values.

State Shared Revenue is \$4,440,742 for the current period, similar to the prior year.

Capital Grants and Contributions are \$887,576. This is primarily due to grants and contributions for North Hydro Park totaling \$443,550, Fire Department federal grants for nearly \$299,293 and contributions for road improvements of \$98,214.

Unrestricted Investment Earnings increased by \$590,511 due to higher interest rates.

General Government expenses increased by \$723,928 of which is primarily attributed to the increase of \$508,181 for Legal Services.

Public Safety costs increased by \$376,718.

Public Works expenditures increase by \$1,306,967 due to the Township's participation in road maintenance projects through Washtenaw County Road Commission, and other projects.

Other expenses decreased by \$522,453 as Sewer Debt was finished in 2005.

Business-type Activities. This represents the municipal-owned Green Oaks Golf Course. Business-type activities decreased Charter Township of Ypsilanti's net assets by \$104,413. Key elements of this decrease are as follows:

The revenues at the Golf Course were \$97,143 less than budgeted, primarily in League Fees (\$33,464), 18 Hole Fees (\$27,624) and Golf Cart Rentals (\$27,146). Expenditures were \$7,271 higher than budget primarily due to depreciation of assets.

Financial Analysis of the Government's Funds

As noted earlier, Charter Township of Ypsilanti used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Charter Township of Ypsilanti's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Charter Township of Ypsilanti's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Charter Township of Ypsilanti's governmental funds reported combined ending fund balances of \$17,467,172 an increase of \$1,416,138 in comparison with the prior year. 75 percent of this total amount (\$13,178,819) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been 1) committed for capital projects (\$2,243,243) 2) committed to pay debt service of the next period (\$1,475,140) and 3) for long term receivables and other purposes (\$569,970).

The general fund is the chief operating fund of Charter Township of Ypsilanti. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,611,583, while total fund balance is \$5,827,958. As a measure of the general funds' liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 46 percent of total general fund expenditures, while total fund balance represents 59 percent of that same amount.

The fund balance of the Charter Township of Ypsilanti's general fund decreased by \$49,239 during the current fiscal year. Key factors in this decrease are as follows:

The Appropriation from Prior Year Fund Balance was budgeted at \$2,175,635, and only \$49,239 needed to be appropriated to "balance" revenues to expenditures.

The net revenues were \$986,397 greater than budgeted, primarily due to increases in State Revenue Sharing (\$391,742) and interest revenues (\$329,535).

Net Expenditures and transfers-out were \$1,139,999 less than budgeted, due to reduced operating expenditures. The other key reductions were for road construction (\$101,990) and I-94 Sound Wall Barrier (\$300,632), to be completed in 2007.

Proprietary funds. Charter Township of Ypsilanti's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Golf Course Fund at the end of the year amounted to \$19,672; net assets decreased by \$104,413. Other factors concerning the finances of this fund have already been addressed in the discussion of Charter Township of Ypsilanti's business-type activities.

General Fund Budgetary Highlights

Differences between the original expenditure budget and final amended expenditure budget, exclusive of transfer to other Funds, are \$1,628,385, shown as a net increase in appropriation. The significant changes are summarized as follows:

Capital Outlay for Road Costs – increase of \$750,000

Legal Services—increase of \$593,000, primarily for the Washtenaw County Board of Commissioners lawsuit

Other Functions - LDFA Seaver Farms Costs – increase of \$200,000

Capital Asset and Debt Administration

Capital assets. Charter Township of Ypsilanti's investment in capital assets for its governmental and business type activities as of December 31, 2006, amounts to \$34,927,182 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, and roads and streets. New assets total \$3,695,316 with depreciation expense of \$1,924,969 for a net increase of \$1,770,347 (5.3 percent).

Major capital asset events during the current fiscal year included the following:

Infrastructure Improvements on Seaver Farm land – \$1,145,590

North Hydro Park Improvements – \$668,689

I-94 Sound Wall Barrier – \$399,368

Ford Heritage Park Barrier-Free Play Equipment - \$295,577

Greens Equipment for Golf Course - \$210,401

800 MHz Radio Equipment for the Fire Fund - \$148,477

Self Contained Breathing Apparatus for the Fire Fund - \$145,552

Ford Lake Park, Tennis Courts and Boat Launch Pavement - \$122,745

Computer Equipment and Software - \$112,215

Lakeside Park Renovation and Equipment - \$50,810

Long-term debt. At the end of the current fiscal year, Charter Township of Ypsilanti had long term indebtedness of \$11,981,216. This represents \$1,800,000 of contracts payable, \$984,490 of Act 99 installment loans payable, \$2,181,726 of compensated absences and \$7,015,000 of general obligation debt. All of Charter Township of Ypsilanti's debt represents general obligation debt backed by the full faith and credit of Charter Township of Ypsilanti.

Additional information on Charter Township of Ypsilanti's long-term debt can be found in Note IV.D. on pages 42-43 of this report.

Economic Factors and Next Year's Budgets and Rates

The State Shared Revenues remained relatively constant with a small decrease in 2006 of \$75,322. The state's economy remains dreary and the unemployment rate high. The State of Michigan expects the State Shared Revenue to remain relatively constant for 2007 at 2006 levels though there is concern that the revenues may be cut if the state's economy does not improve. The State Shared Revenue for 2007 was budgeted at \$4,480,920, up slightly from the 2006 actual of \$4,440,742 by \$40,178.

The 2007 General Fund Budget was approved for \$9,832,150, with an addition of \$342,241 to finish 2006 projects. The 2007 revised budget is also less than the 2006 actual expenditures and transfers out of \$10,365,430 by \$191,039.

The original 2006 budget for all funds included increases for employee health insurance totaling \$1,440,390; however the increase were less than expected by \$208,987 with the 2006 actual of \$1,231,403. The employee health insurance costs for 2007 are expected to be less than the original budget of \$1,481,165. The 2007 insurance rates had a small decrease over 2006 actual.

The Township and County entered into an agreement for police services through 2009, which contained substantial increases in cost for calendar years 2007-2009. While both parties reserved the right to pursue their claims presented in the lawsuit initiated by the Township, and the County's counter claim, the costs contained in the contract increase are as follows:

- * The rates increase by 6% for 2007. With overtime costs, the actual anticipated increase is 16.6%.
- * In 2008, the rate will increase by 24.2% plus overtime estimates of \$500,000 netting a 34.6% increase.
- * Rates for 2009 will increase by 4% including overtime compared to 2008.

The voted tax levy to fund law enforcement costs were based on the original information given at a 6% increase per year, thus if the Township is unable to prevail in the lawsuit, significant shortfalls are expected between the revenue generated and the abovementioned costs. The Township Board is reviewing a number of options should this occur. The controversy remains unsettled at this date.

Requests for Information

This financial report is designed to provide a general overview of Charter Township of Ypsilanti's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Supervisor, 7200 South Huron River Drive, Ypsilanti, Michigan 48197.

BASIC FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF YPSILANTI**Statement of Net Assets****December 31, 2006**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 19,743,569	\$ 70,773	\$ 19,814,342	\$ 62,878
Receivables (net of allowance for uncollectibles):				
Taxes	485	-	485	-
Accounts	1,462,066	-	1,462,066	-
Special Assessments	1,120,505	-	1,120,505	-
Due from Other Governmental Units	-	-	-	-
Due from Other Funds	100,881	24	100,905	-
Inventory	23,900	13,313	37,213	-
Prepaid Expenditures	263,393	3,055	266,448	-
Non Current Advance-Proprietary Fund	124,135	-	124,135	-
Capital Assets (Net of Accumulated Depreciation)	32,735,199	2,191,983	34,927,182	-
Total Assets	<u>55,574,133</u>	<u>2,279,148</u>	<u>57,853,281</u>	<u>62,878</u>
<u>LIABILITIES</u>				
Accounts Payable	2,429,413	12,823	2,442,236	-
Accrued Liabilities	966,265	2,978	969,243	-
Due to Other Funds	24	43,486	43,510	-
Due to Other Governmental Units	48,553	-	48,553	-
Deferred Revenue	558,664	-	558,664	-
Long Term Advance-Governmental Fund	-	124,135	124,135	-
Noncurrent Liabilities:				
Due within one year	450,725	-	450,725	-
Due in more than one year	11,522,285	8,206	11,530,491	-
Total Liabilities	<u>15,975,929</u>	<u>191,628</u>	<u>16,167,557</u>	<u>-</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, net of related debt	22,935,709	2,067,848	25,003,557	-
Restricted for:				
Capital Projects	2,243,243	-	2,243,243	-
Debt Service	1,475,140	-	1,475,140	-
Long Term Advance	569,970	-	569,970	-
Unrestricted	<u>12,374,142</u>	<u>19,672</u>	<u>12,393,814</u>	<u>62,878</u>
Total Net Assets	<u>\$ 39,598,204</u>	<u>\$ 2,087,520</u>	<u>\$ 41,685,724</u>	<u>\$ 62,878</u>

CHARTER TOWNSHIP OF YPSILANTI
Statement of Activities
For the Year Ended December 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 6,353,170	\$ 3,395,930	\$ 50,294	\$ -
Public Safety	10,982,528	664,540	19,820	299,293
Planning & Zoning	24,445	-	-	-
Public Works	4,347,917	342,011	16,617	289,550
Recreation and Cultural	2,082,337	439,302	-	298,733
Other	1,256,019	-	-	-
Interest on Long-Term Debt	347,008	159,388	-	-
Total Governmental Activities	25,393,424	5,001,171	86,731	887,576
Business-type Activities:				
Golf Course	823,351	714,803	-	-
Total Primary Government	26,216,775	5,715,974	86,731	887,576
Component Units	\$ -	\$ -	\$ -	\$ -

General Revenues:
Property Taxes
State Shared Revenue
Unrestricted Investment Earnings
Total General Revenues

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,906,946)	\$ -	\$ (2,906,946)	\$ -
(9,998,875)	-	(9,998,875)	-
(24,445)	-	(24,445)	-
(3,699,739)	-	(3,699,739)	-
(1,344,302)	-	(1,344,302)	-
(1,256,019)	-	(1,256,019)	-
<u>(187,620)</u>	<u>-</u>	<u>(187,620)</u>	<u>-</u>
(19,417,946)	-	(19,417,946)	-
<u>-</u>	<u>(108,548)</u>	<u>(108,548)</u>	<u>-</u>
<u>(19,417,946)</u>	<u>(108,548)</u>	<u>(19,526,494)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
16,015,774	-	16,015,774	-
4,440,742	-	4,440,742	-
1,183,267	4,135	1,187,402	2,781
<u>21,639,783</u>	<u>4,135</u>	<u>21,643,918</u>	<u>2,781</u>
2,221,837	(104,413)	2,117,424	2,781
<u>37,376,367</u>	<u>2,191,933</u>	<u>39,568,300</u>	<u>60,097</u>
\$ <u>39,598,204</u>	\$ <u>2,087,520</u>	\$ <u>41,685,724</u>	\$ <u>62,878</u>

CHARTER TOWNSHIP OF YPSILANTI

Balance Sheet

Governmental Funds

December 31, 2006

	<u>General</u>	<u>Fire Department Fund</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 4,981,054	\$ 3,354,920
Receivables (net of allowance for uncollectibles):		
Taxes	50	159
Accounts	1,032,865	-
Special Assessments	1,120,505	-
Due from Other Funds	113,087	48,838
Non Current Advance - Golf Course Fund	124,135	-
Prepaid Expenditures	<u>221,076</u>	<u>33,898</u>
Total Assets	\$ <u>7,592,772</u>	\$ <u>3,437,815</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts Payable	\$ 728,805	\$ 25,708
Accrued and Other Liabilities	385,632	143,935
Due to Other Funds	91,713	17,852
Due to Other Governmental Units	-	-
Deferred Revenue	<u>558,664</u>	<u>-</u>
Total Liabilities	<u>1,764,814</u>	<u>187,495</u>
Fund Balances:		
Reserved for:		
Debt Service	-	-
Capital Projects	646,405	-
Long Term Receivables	569,970	-
Unreserved for:		
General Fund	4,611,583	-
Special Revenue Funds	<u>-</u>	<u>3,250,320</u>
Total Fund Balances	<u>5,827,958</u>	<u>3,250,320</u>
Total Liabilities and Fund Balances	\$ <u>7,592,772</u>	\$ <u>3,437,815</u>

Environmental Services Fund	Law Enforcement Fund	2006 Capital Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,433,609	\$ 1,433,134	\$ 2,285,772	\$ 3,922,995	\$ 18,411,484
79	158	-	39	485
3,690	96,363	-	308,403	1,441,321
-	-	-	-	1,120,505
40	-	-	193,072	355,037
-	-	-	-	124,135
3,806	1,826	-	741	261,347
<u>\$ 2,441,224</u>	<u>\$ 1,531,481</u>	<u>2,285,772</u>	<u>\$ 4,425,250</u>	<u>\$ 21,714,314</u>
\$ 363,136	\$ 126,230	\$ 688,934	\$ 463,930	\$ 2,396,743
45,581	84,675	-	304,403	964,226
19,580	21,007	-	128,804	278,956
-	-	-	48,553	48,553
-	-	-	-	558,664
<u>428,297</u>	<u>231,912</u>	<u>688,934</u>	<u>945,690</u>	<u>4,247,142</u>
-	-	-	1,475,140	1,475,140
-	-	1,596,838	-	2,243,243
-	-	-	-	569,970
-	-	-	-	4,611,583
2,012,927	1,299,569	-	2,004,420	8,567,236
<u>2,012,927</u>	<u>1,299,569</u>	<u>1,596,838</u>	<u>3,479,560</u>	<u>17,467,172</u>
<u>\$ 2,441,224</u>	<u>\$ 1,531,481</u>	<u>\$ 2,285,772</u>	<u>\$ 4,425,250</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

32,044,757

Internal Service Funds are used by management to charge the costs of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

2,059,285

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(11,973,010)

Net Assets of Governmental Activities

\$ 39,598,204

CHARTER TOWNSHIP OF YPSILANTI
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Fire Department Fund
<u>Revenues</u>		
Property Taxes	\$ 1,625,359	\$ 4,295,161
Licenses and Permits	16,789	6,265
Intergovernmental:		
Federal, State and Local	4,440,742	299,293
Charges for Services	3,028,310	10,526
Interest and Rent	458,734	172,421
Other	742,417	13,149
Total Revenues	<u>10,312,351</u>	<u>4,796,815</u>
<u>Expenditures</u>		
Current:		
General Government	5,959,035	-
Public Safety	325,693	3,808,901
Planning and Zoning	24,445	-
Public Works	833,778	-
Recreation and Cultural	860,253	-
Other	1,221,017	-
Debt Service:		
Principal	440,000	123,385
Interest and Other Charges	141,728	6,213
Capital Outlay	130,166	452,837
Total Expenditures	<u>9,936,115</u>	<u>4,391,336</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>376,236</u>	<u>405,479</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In	3,840	-
Transfers Out	(429,315)	-
Proceeds of Long Term Debt	-	-
Total Other Financing Sources and Uses	<u>(425,475)</u>	<u>-</u>
Net Change in Fund Balances	(49,239)	405,479
Fund Balances - Beginning	<u>5,877,197</u>	<u>2,844,841</u>
Fund Balances - Ending	<u>\$ 5,827,958</u>	<u>\$ 3,250,320</u>

Environmental Services Fund	Law Enforcement Fund	2006 Capital Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,489,917	\$ 5,363,653	\$ -	\$ 2,241,684	\$ 16,015,774
-	-	-	654,629	677,683
-	18,820	-	332,925	5,091,780
42,675	-	-	341,111	3,422,622
113,227	82,132	42,989	261,775	1,131,278
-	5,500	-	463,069	1,224,135
<u>2,645,819</u>	<u>5,470,105</u>	<u>42,989</u>	<u>4,295,193</u>	<u>27,563,272</u>
-	-	-	420	5,959,455
-	4,767,775	-	1,633,340	10,535,709
-	-	-	-	24,445
2,352,682	-	137,609	659,052	3,983,121
-	-	-	751,799	1,612,052
-	-	-	40,727	1,261,744
-	-	-	1,580,000	2,143,385
-	-	-	199,067	347,008
-	6,807	1,145,591	1,744,814	3,480,215
<u>2,352,682</u>	<u>4,774,582</u>	<u>1,283,200</u>	<u>6,609,219</u>	<u>29,347,134</u>
<u>293,137</u>	<u>695,523</u>	<u>(1,240,211)</u>	<u>(2,314,026)</u>	<u>(1,783,862)</u>
-	-	-	1,017,405	1,021,245
-	-	(362,951)	(228,979)	(1,021,245)
-	-	3,200,000	-	3,200,000
-	-	2,837,049	788,426	3,200,000
293,137	695,523	1,596,838	(1,525,600)	1,416,138
<u>1,719,790</u>	<u>604,046</u>	<u>-</u>	<u>5,005,160</u>	<u>16,051,034</u>
\$ <u>2,012,927</u>	\$ <u>1,299,569</u>	\$ <u>1,596,838</u>	\$ <u>3,479,560</u>	\$ <u>17,467,172</u>

CHARTER TOWNSHIP OF YPSILANTI
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,416,138
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	1,762,428
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,161,787)
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Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>205,058</u>
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Change in net assets in governmental activities	\$ <u><u>2,221,837</u></u>
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CHARTER TOWNSHIP OF YPSILANTI**Balance Sheet****Proprietary Funds****December 31, 2006**

	<u>Business Type Activity Enterprise Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Golf Course</u>	
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 70,773	\$ 1,332,085
Accounts Receivable	-	20,745
Due From Other Funds	24	25,162
Inventory	13,313	23,900
Prepaid Expense	3,055	2,046
Total Current Assets	<u>87,165</u>	<u>1,403,938</u>
Property, Plant and Equipment:		
Course and Improvements	2,015,015	-
Building Improvements	743,088	112,167
Machinery, Equipment and Vehicles	589,606	1,180,835
Less: Accumulated Depreciation	<u>(1,155,726)</u>	<u>(602,560)</u>
Net Property, Plant and Equipment	<u>2,191,983</u>	<u>690,442</u>
Total Assets	\$ <u>2,279,148</u>	\$ <u>2,094,380</u>
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities:		
Accounts Payable	\$ 12,823	\$ 32,670
Due to Other Funds	43,486	386
Accrued Liabilities	2,978	2,039
Total Current Liabilities	<u>59,287</u>	<u>35,095</u>
Long-Term Liabilities:		
Long Term Advance - General Fund	124,135	-
Compensated Absences	8,206	-
Total Current Liabilities	<u>132,341</u>	<u>-</u>
Equity:		
Invested in Capital Assets, Net of Related Debt	2,067,848	690,442
Unrestricted	19,672	1,368,843
Total Equity	<u>2,087,520</u>	<u>2,059,285</u>
Total Liabilities and Equity	\$ <u>2,279,148</u>	\$ <u>2,094,380</u>

CHARTER TOWNSHIP OF YPSILANTI
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Funds
For the Year Ended December 31, 2006

	<u>Business Type Activity Enterprise Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Golf Course</u>	
<u>Operating Revenues:</u>		
Charges for Services	\$ 713,024	\$ 633,643
Other Income	1,779	-
Total Operating Revenues	<u>714,803</u>	<u>633,643</u>
<u>Operating Expenses:</u>		
Cost of Sales	92,287	187,564
Personal Services	433,407	125,541
Supplies, Repairs, Insurance and Other Expenses	150,729	61,555
Benefits and Administrative	38,520	7,140
Depreciation	108,408	98,774
Total Operating Expenses	<u>823,351</u>	<u>480,574</u>
 Operating Income (Loss)	 (108,548)	 153,069
<u>Non-Operating Revenues (Expenses):</u>		
Interest Earned	<u>4,135</u>	<u>51,989</u>
Net Income (Loss)	(104,413)	205,058
Fund Equity, Beginning	<u>2,191,933</u>	<u>1,854,227</u>
Fund Equity, Ending	\$ <u><u>2,087,520</u></u>	\$ <u><u>2,059,285</u></u>

CHARTER TOWNSHIP OF YPSILANTI
Statement of Cash Flows
Proprietary Funds
For the Year December 31, 2006

	Business Type Activity Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>Golf Course</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers and users	\$ 714,803	\$ -
Receipts from quasi-external transactions	-	640,893
Payments to suppliers	(262,274)	(260,665)
Payments to employees	(433,082)	(125,522)
Net Cash Provided by Operating Activities	<u>19,447</u>	<u>254,706</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchases of Capital Assets	(210,401)	(4,700)
Long Term Advance-General Fund	124,135	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(86,266)</u>	<u>(4,700)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Earned	4,135	51,989
Net Cash Provided (Used) by Investing Activities	<u>4,135</u>	<u>51,989</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(62,684)	301,995
Cash and Cash Equivalents, Beginning	<u>133,457</u>	<u>1,030,090</u>
Cash and Cash Equivalents, Ending	\$ <u><u>70,773</u></u>	\$ <u><u>1,332,085</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>		
Operating Income (Loss)	\$ (108,548)	\$ 153,069
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization Expense	108,408	98,774
(Increase) Decrease in Receivables	-	7,250
(Increase) Decrease in Due from Other Funds	(24)	(4,638)
(Increase) Decrease in Inventory	(2,215)	(2,067)
(Increase) Decrease in Prepaid	1,297	(452)
Increase (Decrease) in Accounts Payable	(1,188)	3,509
Increase (Decrease) in Accrued Liabilities	131	19
Increase (Decrease) in Due to Other Funds	21,392	(758)
Increase (Decrease) in Compensated Absences	194	-
Net Cash Provided by Operating Activities	\$ <u><u>19,447</u></u>	\$ <u><u>254,706</u></u>

CHARTER TOWNSHIP OF YPSILANTI
Statement of Net Assets
Fiduciary Funds
December 31, 2006

<u>ASSETS</u>	Firefighter's Healthcare Trust Fund	Police and Firefighter's Pension Trust Fund	Officials Retirement Trust Fund	Agency Funds
Cash	\$ 1,073,113	\$ 199,444	\$ -	\$ 13,787,954
Accounts Receivable	-	-	-	73,238
Investments, at Fair Value:				
Bonds and Notes	-	7,638,800	661,403	-
Common Stock	-	19,547,237	-	-
Total Investments	-	27,186,037	661,403	-
Accrued Interest and Dividends	-	44,050	-	-
Due from other Governmental Units	-	-	-	117,249
Total Assets	1,073,113	27,429,531	661,403	13,978,441
<u>LIABILITIES</u>				
Due to Other Funds	44,076	4,762	-	8,557
Accounts Payable	-	22,834	-	-
Due to Other	-	-	-	13,969,884
Total Liabilities	44,076	27,596	-	13,978,441
Net Assets Held in Trust For Employees' Retirement Benefits	\$ 1,029,037	\$ 27,401,935	\$ 661,403	\$ -

CHARTER TOWNSHIP OF YPSILANTI
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended December 31, 2006

	Firefighter's Healthcare Trust Fund	Police and Firefighter's Pension Trust Fund	Officials Retirement Trust Fund
<u>ADDITIONS</u>			
Investment Income:			
Earnings on Investments	\$ 38,976	\$ 1,622,863	\$ 25,317
Net Appreciation (Depreciation) in Fair Value of Investments	-	1,816,531	-
Contributions:			
Employer	722,253	72,708	54,571
Employee	24,812	177,572	725
Other	2,494	8,014	-
	<u>788,535</u>	<u>3,697,688</u>	<u>80,613</u>
Total Additions			
<u>DEDUCTIONS</u>			
Benefits Paid	-	1,030,039	-
Retirees Insurance	445,793	-	-
Administrative Costs	9,313	108,021	2,955
Total Deductions	<u>455,106</u>	<u>1,138,060</u>	<u>2,955</u>
Net Increase (Decrease)	333,429	2,559,628	77,658
Net Assets Held in Trust For Employee's Retirement Benefits:			
January 1	<u>695,608</u>	<u>24,842,307</u>	<u>583,745</u>
December 31	<u>\$ 1,029,037</u>	<u>\$ 27,401,935</u>	<u>\$ 661,403</u>

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Ypsilanti Township became a Charter Township on May 15, 1979 by Board resolution. The Township provides the following services as permitted by law: public safety (police and fire), community development, culture-recreation, public improvements, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the Charter Township of Ypsilanti and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Township's operations and so data from these units is combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. Each blended and discretely presented component unit has a December 31, 2006 year end.

Blended Component Units

The Charter Township of Ypsilanti Municipal Building Authority is governed by a five (5) member Board appointed by the Township Board. Although it is legally separate from the Township, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. During 2006, the Building Authority ceased operations and remaining funds were transferred to the General Fund.

Discretely Presented Component Units

The Charter Township of Ypsilanti Economic Development Corporation (EDC) is governed by a nine (9) member board appointed by the Township Board. The EDC was established to promote economic development within the Township.

The above component unit is discretely presented within the Township financial statements because it is legally separate and financially accountable to the Township. Financial accountability is demonstrated by the Township Commission making the appointments to the respective boards, approving the annual operating budgets and any amendments of each component unit and approving development and financing plans of the EDC.

Joint Venture

The Township is a participant in the Ypsilanti Community Utilities Authority (Y.C.U.A.) which was created under Act 233, P.A. of 1955 by the City of Ypsilanti and the Charter Township of Ypsilanti, in 1974. All activities necessary to provide water and sewer services to residents of the City, Township, and other

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity – Continued

Joint Venture – Continued

communities serviced by Y.C.U.A., are accounted for by the Authority. The Township has financial responsibility as follows:

- Township Board has the ability to reject or approve water rates for customers in its service district.
- Some obligations of the Authority are supported by pledges of the Township's full faith and credit, subject to constitutional limitations. These obligations are described in more detail further in these notes.
- Summarized financial information from the Authority's latest audited financial statements are presented below.

	<u>Fiscal Year Ended</u> <u>August 31, 2006</u>
Assets	\$ 281,653,682
Liabilities	<u>(77,711,434)</u>
Net Assets	<u>\$ 203,942,248</u>
Revenues	\$ 31,802,962
Operating Expenses	<u>(32,205,461)</u>
Operating Income (Loss)	(402,499)
Non Operating Income	<u>905,507</u>
Net Income	503,008
Capital Contributions/Special Items	<u>8,317,481</u>
Change in Net Assets	8,820,489
Net Assets Beginning of Year	<u>195,121,759</u>
Net Assets End of the Year	<u>\$ 203,942,248</u>

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements – Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Governmental Funds

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Department Fund is a special revenue fund used to account for the voter approved property taxes used to support fire protection, and related services

The Law Enforcement Fund is a special revenue fund used to account for the voter approved property taxes for law enforcement activities.

The Environmental Services Fund is a special revenue fund used to account for the voter approved property tax revenues used to support solid waste pick up, disposal, and recycling activities.

The 2006 Capital Improvement Fund is a capital projects fund used to account for the bond proceeds from the 2006 capital improvement bonds.

In addition, the Township reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Proprietary Fund

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the following fund types:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Township Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Township's enterprise fund is the Golf Course Fund, which is reported as a non-major fund.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Proprietary Fund – Continued

Internal Service Funds account for operations that provide services to other departments or agencies of the Township on a cost reimbursement basis. As these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental* activities in the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity by the Township or as an agent on behalf of others. Fiduciary funds include the following fund types:

Pension Trust Funds – The pension trust funds accounts for the activities of the employee benefit plan that accumulates resources for pension and other post employment benefit payments to qualified employees.

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowances for uncollectible accounts, which are recorded as follows:

	<u>Taxes</u> <u>Receivable</u>	<u>Accounts</u> <u>Receivable</u>
Total	\$ 304,618	\$1,462,066
Less Allowance for Doubtful Accounts	<u>304,133</u>	<u>-</u>
Net Realizable Value	<u>\$ 485</u>	<u>\$1,426,066</u>

3. Inventory

Inventories are valued at cost using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

4. Capital Assets – Continued

donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed.

5. Capital Assets

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-30
Equipment	5-20
Infrastructure	15-30

6. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Assets. The total liability at December 31, 2006 is \$2,181,726.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

7. Long-term Obligations – Continued

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$11,973,010 difference are as follows:

General Obligation Bonds and Contracts Payable	\$ 9,799,490
Compensated Absences Payable	<u>2,173,520</u>
	<u>\$11,973,010</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities – Continued

expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,762,428 difference are as follows:

Capital Outlay Expenditures	\$ 3,480,215
Depreciation Expense	<u>(1,717,787)</u>
	<u>\$ 1,762,428</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this (\$1,161,787) difference are as follows:

Proceeds of Long Term Borrowings	\$(3,200,000)
Principal Repayments	2,143,385
Principal Repayments Categorized In Departmental Budgets	5,725
Compensated Absences	<u>(110,897)</u>
	<u>\$(1,161,787)</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. In accordance with State law, prior to September 30, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year. Detail line item budgets are included for administrative control. The level of control for the detail budgets is at the departmental basis.
2. Public hearings are conducted in September and December to obtain taxpayer comment.
3. Prior to December 15, the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General, Special Revenue and Debt Service Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Proprietary Fund budgets are prepared on a non-GAAP method.
6. Budget appropriations lapse at year end.
7. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
8. Budgeted amounts are reported as originally adopted, and as amended by the Township Board.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of December 31, 2006.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

None of the funds have expenditures in excess of appropriations.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan; and investment pools of financial institutions.

The pension trust fund and retiree health care fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

The Township has designated several banks for the deposit of funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997 authorized all investments permitted by PA 20. The Charter Township of Ypsilanti, Michigan's deposit and investment policies are in accordance with statutory authorities.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township's book balance of its deposits was \$34,874,128; the total book balance was \$34,874,853 due to \$725 in cash on hand. The bank balance was \$34,472,758 which was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 514,857
Uninsured and Uncollateralized	<u>33,957,901</u>
Total	<u>\$ 34,472,758</u>

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Custodial Credit Risk of Bank Deposits - Continued

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Assets	\$ 19,814,342
Fire Fighters Health Care Fund	1,073,113
Police and Fire Fighters Pension Fund	199,444
Agency Funds	<u>13,787,954</u>
Total	<u>\$ 34,874,853</u>

The carrying amount and bank balances of the component units of the Charter Township of Ypsilanti are as follows:

Bank Balance And <u>Carrying Value</u>	<u>F.D.I.C. Insured</u>
<u>\$ 62,878</u>	<u>\$ 62,878</u>

The Township believes that due to the dollar amounts of cash deposits and the limits of F.D.I.C. insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end the Township had the following investments held by the counterparty or by its trust department but not in the Township's name:

Fiduciary:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Federal Agency/Instrumentality	\$ 7	Counterparty
Retirement Annuities	661,403	Counterparty
JP Morgan Intermediate Bond Fund	6,187,220	Counterparty
JP Morgan High Yield Bond Fund	1,451,573	Counterparty

Interest Rate Risk

Interest rate risk is the risk that the value of investments or deposits will decrease as a result of a rise in interest rates. The Township's investment policy minimizes interest rate risk by structuring the portfolio to meet requirements and by

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Interest Rate Risk - Continued

investing funds in shorter-term securities, money market mutual funds or similar investment pools. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The weighted average maturity is based on maturity date or contracted modified maturity date as applicable. At year end, the average maturities of deposits are as follows:

<u>Primary Government</u> <u>Deposit and Investment Types</u>	<u>Fair Value</u>	<u>Weighted</u> <u>Average Maturity</u>
Savings and Checking Accounts	\$ 14,655,434	Demand
Certificate of Deposits	5,278,286	270 days
 <u>Fiduciary</u> <u>Deposit and Investment Types</u>	 <u>Fair Value</u>	 <u>Weighted</u> <u>Average Maturity</u>
Savings and Checking Accounts	\$ 13,266,481	Demand
Money Market Accounts	1,272,557	90 days
Federal Agency/Instrumentality	7	
JP Morgan Intermediate Bond Fund	6,187,220	4.14 years
JP Morgan High Yield Bond Fund	1,451,573	6.23 years
Retirement Annuities	661,403	Not Available
 <u>Component Unit</u> <u>Deposit and Investment Types</u>	 <u>Fair Value</u>	 <u>Weighted</u> <u>Average Maturity</u>
Savings and Checking Account	\$ 62,878	Demand

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations at the time of purchase. The Township's investment policy limits investments to the safest types of securities. Financial institutions, broker/dealers, intermediaries and advisers need to be pre-qualified to do business with the Township. The policy also states that the investment portfolio will be diversified to minimize potential losses on individual securities. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating</u> <u>Organization</u>
Money Market Accounts	\$ 1,272,557	AAA	S&P
Federal Agency/Instrumentality	7	AAA	S & P
JP Morgan Intermediate Bond Fund	6,187,220	AA1	Moody's
JP Morgan High Yield Bond Fund	1,451,373	B2	Moody's
Retirement Annuities		Not Available	

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Township places no limit on the amount that may be invested in any one issuer. At December 31, 2006, the Township had more than 5% of its investments in the following:

<u>Fiduciary Funds</u>	
JP Morgan Intermediate Bond Fund	22.2%
JP Morgan High Yield Bond Fund	5.2%

B. Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, Not Depreciated:				
Land	\$ 9,563,804	\$ -	\$ -	\$ 9,563,804
Capital Assets, being depreciated:				
Building	11,020,737	70,926	-	11,091,663
Machinery and Equipment	5,390,135	578,084	-	5,968,219
Infrastructure	20,055,402	2,831,205	-	22,886,607
Internal Service Funds:				
Motor Pool	419,187	-	-	419,187
Compost	869,115	4,700	-	873,815
	<u>37,754,576</u>	<u>3,484,915</u>	<u>-</u>	<u>41,239,491</u>
Less: Accumulated Depreciation:				
Building	(4,447,991)	(368,405)	-	(4,816,396)
Machinery and Equipment	(3,279,540)	(416,809)	-	(3,696,349)
Infrastructure	(8,020,218)	(932,573)	-	(8,952,791)
Internal Service Funds:				
Motor Pool	(318,085)	(29,489)	-	(347,574)
Compost	(185,701)	(69,285)	-	(254,986)
	<u>(16,251,535)</u>	<u>(1,816,561)</u>	<u>-</u>	<u>(18,068,096)</u>
Governmental Activities Capital Assets, net	<u>\$31,066,845</u>	<u>\$1,668,354</u>	<u>\$ -</u>	<u>\$ 32,735,199</u>

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$1,244,172	\$ -	\$ -	\$ 1,244,172
Capital Assets, being depreciated:				
Building and Land Improvements	1,503,601	-	-	1,503,601
Machinery and Equipment	510,492	210,401	-	720,893
	<u>2,014,093</u>	<u>210,401</u>	<u>-</u>	<u>2,224,494</u>
Less: Accumulated Depreciation:				
Building and Land Improvements	(733,099)	(56,623)	-	(789,722)
Machinery and Equipment	(435,176)	(51,785)	-	(486,961)
	<u>(1,168,275)</u>	<u>(108,408)</u>	<u>-</u>	<u>(1,276,683)</u>
Governmental Activities Capital Assets, net	<u>\$2,089,990</u>	<u>\$ 101,993</u>	<u>\$ -</u>	<u>\$ 2,191,983</u>

Depreciation expense was charged to functions/ programs of the primary government as follows:

General Government	\$ 410,913
Public Safety	318,724
Public Works	517,865
Recreation and Culture	470,285
Charged though internal service funds	98,774
	<u>\$1,816,561</u>

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2006, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 17,747
	Bike Path,S. Walk, Rec. & Op Fund	10,352
	Environmental Services Fund	9,962
	Law Enforcement Fund	20,062
	G O Debt Fund	3,276
	Bonds and Escrow Fund	3,719
	General Tax Collection	106
	Receiving Account	4,732
	Golf Course Fund	43,131
Fire Fund	Firefighter's Health Care Trust Fund	48,838
State Grants Fund	Public Improvement Fund	105,139
	General Fund	84,202
Bike Path/Side Walk Fund	General Fund	41
Environmental Services Fund	General Fund	40
Hydro Station Fund	General Fund	2,162
Public Improvement Fund	Hydro Station Fund	540
Building Department Fund	General Fund	989
Motor Pool	General Fund	3,933
	Fire Fund	105
	Bike Path,S. Walk, Rec. & Op Fund	7,723
	Environmental Services Fund	1,026
	Building Department Fund	1,774
	Law Enforcement Fund	945
	Golf Course Fund	356
	Compost Fund	386
Golf Course Fund	General Fund	24
Compost Fund	Environmental Services Fund	8,591
	General Fund	322
		<u><u>\$ 380,223</u></u>

Note, interfund balance due amounts represent unsettled amounts due, at balance sheet date.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers – Continued

2. Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Building Authority Fund	\$ 3,840
Hydro Station	General Fund	1,948
State Grant	General Fund	399,367
State Grant	Public Improvement Fund	225,139
Nuisance Abatement	General Fund	28,000
2006 Capital Improv. Debt Serv. Fund	2006 Capital Projects Fund	362,951
Total		<u>\$ 1,021,245</u>

Transfers represent the following:

Building Authority to General Fund-transfer to close fund, Building Authority discontinued operations in 2006.

Hydro Station to the General Fund-Hydro Station's portion of costs paid by General Fund.

State Grant from General Fund-matching portion of grants.

State Grant from Public Improvement-matching portion of grants-for capital projects.

Nuisance Abatement from General Fund-transfer for start up costs.

2006 Capital Projects to 2006 Debt Service-amounts for capitalized interest in bond proceeds, and accrued interest on bond proceeds.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Township for the year ended December 31, 2006:

	Balance 1/1/2006	Additions	Reductions	Balance 12/31/2006	Balance Within 1 Year
Gov. Activities:					
Act 99 Installment Notes	\$ 1,253,600	\$ -	\$ 269,110	\$ 984,490	\$ 150,725
General Obligation Bonds	5,395,000	3,200,000	1,580,000	7,015,000	-
Comp. Absences	2,062,623	110,897	-	2,173,520	-
Contract Debt	2,100,000	-	300,000	1,800,000	300,000
	<u>\$ 10,811,223</u>	<u>\$ 3,310,897</u>	<u>\$ 2,149,110</u>	<u>\$ 11,973,010</u>	<u>\$ 450,725</u>
Business Type Activities:					
Comp. Absences	\$ 8,012	\$ 194	\$ -	\$ 8,206	\$ -

The following is a summary of general obligation debt outstanding of the Township as of December 31, 2006:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Governmental Activities:				
Act 99 Installment Notes	2	4.15%	2012	\$ 984,490
General Obligation	3	2.90%-5.00%	2029	7,015,000
Comp. Absences	N/A			2,173,520
Contract Debt	1	4.25%-4.50%	2012	1,800,000
				<u>\$ 11,973,010</u>

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The annual debt service requirements to maturity for debt outstanding as of December 31, 2006 is as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 450,725	\$ 476,758
2008	493,765	432,754
2009	495,000	412,415
2010	530,000	391,529
2011	555,000	369,224
2012-2016	3,005,000	1,365,382
2017-2021	2,470,000	608,551
2022-2026	1,800,000	337,978
	<u>\$ 9,799,490</u>	<u>\$ 4,394,591</u>

E. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at December 31, 2006, is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Fund Balance</u>				
Reserved For:				
Capital Projects	\$ 646,405	\$ -	\$ -	\$ 1,596,838
Debt Service	-	-	1,475,140	-
Long Term Receivables	569,970	-	-	-
Total Reserved	<u>1,216,375</u>	<u>-</u>	<u>1,475,140</u>	<u>1,596,838</u>
Unreserved:				
Designated	-	-	-	-
Undesignated	4,611,583	8,567,236	-	-
Total Unreserved	<u>4,611,583</u>	<u>8,567,236</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 5,827,958</u>	<u>\$ 8,567,236</u>	<u>\$ 1,475,140</u>	<u>\$ 1,596,838</u>

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

F. Property Taxes

Property taxes are assessed as of each December 31. The Township tax levy is billed on December 1 of the following year, and payable through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the Township are detailed below:

<u>Purpose</u>	<u>Authorization</u>	<u>Term</u>	<u>Pre- Rollback Auth. Rate</u>	<u>Post Rollback Auth. Rate</u>	<u>Rate Levied</u>
Operating	State Law	-	1.1160	1.0320	1.0320
Fire Protection	Vote	2005-2008	2.8000	2.7930	2.7930
Solid Waste	Vote	2005-2008	1.6800	1.6758	1.6758
Police Protection	Vote	2005-2008	3.5000	3.4912	3.4912
Rec/Bike Path	Vote	2005-2008	1.0059	1.0033	1.0033
Fire Pension	State Law	-	-	0.5158	0.5158
Total				<u>10.5111</u>	<u>10.5111</u>

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans

The Township has four different pension plans covering substantially all full time employees. The employees are eligible for the different plans based on their classification into these three categories:

Fire Fighters
Elected Officials
Other Full Time Employees

The following disclosures are made for each plan:

1. Fire Fighters

a. Defined Benefit Plan

Substantially all full time employees of the Fire Department are covered by the Charter Township Police and Firefighters Retirement System (a public employees retirement system or P.E.R.S.). The P.E.R.S. is the administrator of

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Fire Fighters – Continued

a. Defined Benefit Plan – Continued

a single - employer pension plan that was established by the Township in accordance with Township ordinance and state law (P.A. 345 of 1937 as amended). The P.E.R.S. is presented as a component unit of the Township's financial reporting entity.

The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2005.

b. Summary of Significant Accounting Policies and Plan Asset Matters

The Charter Township of Ypsilanti's P.E.R.S. financial statements are prepared on the accrual basis of accounting. Contributions from the Township and the employees are recognized as revenue in the period in which employees provide services to the Township. Investment income is recognized as earned by the pension plan. Investments in securities are valued at fair market value. No investment in any one organization represents 5% or more of the net assets available for pension benefits.

There are no investments in, loans to, or leases with parties related to the pension plan.

c. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and personnel policy. The Township is required to contribute at an actuarially determined rate; the current rate was 2.99% of annual compensation at December 31, 2004.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Fire Fighters – Continued

d. Annual Pension Cost

During the fiscal year ended December 31, 2006, the Township's contributions totaling \$72,708 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004, and the amounts necessary to pay post retirement health care and plan administrative costs. The employer contribution rate has been determined based on the individual entry age funding method. Under the individual entry age funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 15 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 7% and annual salary increases of 5.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Fiscal Year Ended December 31	<u>Trend Information</u>			
	Valuation Date December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1998	1996	\$ 40,787	116.7%	\$ -0-
1999	1997	66,987	100.0%	-0-
2000	1998	165,742	100.0%	-0-
2001	1999	276,474	100.0%	-0-
2002	2000	-0-	100.0%	-0-
2003	2001	-0-	100.0%	-0-
2004	2002	-0-	100.0%	-0-
2005	2003	-0-	100.0%	-0-
2006	2004	72,708	100.0%	-0-

2. Elected Officials

a. Defined Contribution Plan

Ypsilanti Township's Group Pension Plan is a single employer P.E.R.S. that administers the Township's defined contribution pension plan for its Elected Officials. The Township includes the pension plan as a component unit. The Township is the only non-employee contributor to the plan. Only elected officials are eligible for the plan. As of December 31, 2006 the plan's membership was 7 officials. The Plan was established by Township

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Elected Officials – Continued

a. Defined Contribution Plan – Continued

officials. The Plan was established by Township ordinance, which may be amended by amendment of the ordinance. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. As established by Township policy, all elected officials are eligible for the plan on the date of commencement of their employment (following election) and officials may waive participation upon written notification.

Voluntary contributions made by participants and employer contributions vest immediately as provided by the plan, the Township contributes 20% of the employees gross earnings; the employee may make voluntary contributions up to 10% of his or her gross earnings. During 2006, total Township contributions of \$54,571 and total employee contributions of \$725 were made to the plan.

b. Summary of Significant Accounting Policies and Plan Asset Matters

The Township's elected officials pension plan financial statements are prepared on the accrual basis of accounting. Contributions from the Township and the Township employees are recognized as revenue in the period in which employees provide services to the Township. Investment income is recognized as earned by the pension plan.

Investments in securities are valued at cost which approximates market. All funds are invested in 10 year retirement annuities through the John Hancock Financial Services Plan sponsored by the Michigan Township Association.

There are no investments in, loans to, or leases with parties related to the pension plan.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Other Full Time Employees

a. Defined Benefit Plan

The Township contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system that covers all full time employees of the Township except elected officials and firefighters. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2005.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 447 N. Canal St., Lansing, Michigan 48917-9755.

b. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and personnel policy. The Township is required to contribute at an actuarially determined rate; the current rate was a percentage of annual compensation at December 31, 2005 as follows:

AFSCME and Management	4.72%
District Court 14B	7.63%

The employees are required to contribute 6% of their pay.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Other Full Time Employees – Continued

c. Annual Pension Cost

During the fiscal year ended December 31, 2006, the total contributions to the plan amounted to \$605,249, which consisted of employer contributions of \$333,846, and employee contributions of \$271,403, and were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Trend Information

<u>Fiscal Year</u> <u>Ended</u> <u>Dec. 31</u>	<u>Valuation</u> <u>Date</u> <u>Dec. 31</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
1998	1996	\$176,033	130%	\$ -0-
1999	1997	147,399	117%	-0-
2000	1998	152,206	141%	-0-
2001	1999	141,339	134%	-0-
2002	2000	172,267	100%	-0-
2003	2001	457,300	100%	-0-
2004	2002	526,036	100%	-0-
2005	2003	542,299	100%	-0-
2006	2004	605,249	100%	-0-

4. Firefighter's Health Care Plan

a. Plan Description

The Township Board established by resolution the Firefighter's Health Care Plan, a single-employer defined benefit post retirement health care plan. The plan is designed to accumulate resources to pay for post retirement health and dental insurance for retired firefighters. The plan was established under the authority of P.A. 169 of 1999.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

4. Firefighter's Health Care Plan – Continued

a. Plan Description – Continued

Membership in the plan at December 31, 2005 (latest actuarial report) is as follows:

Retires and Beneficiaries receiving benefits	35
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>36</u> <u>71</u>

b. Summary of Significant Accounting Policies

Basis of Accounting. The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Healthcare premiums are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

c. Contributions

The Plan's funding policy provides for periodic contributions by the Township at actuarially determined rates expressed as a percentage of annual covered payroll. The Township contributes at a rate of 17% of annual covered payroll. Plan members are required to contribute 6-7% of their annual covered salary. Administrative costs of the plan are financed through investment earnings.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

V. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits

In addition to providing pension benefits, the Township provides certain health care insurance benefits to all full time employees of the Township. All eligible full time employees who retire at normal retirement age, are entitled to receive these benefits during their retirement. Currently 50 retirees are covered by this plan. These benefits are expensed in the year paid, on a pay-as-you-go basis. For the year ended December 31, 2006, these costs amounted to approximately:

Township Employees	\$ 222,566
Firefighters	
(As discussed previously)	<u>445,793</u>
	<u>\$ 668,359</u>

The basis for these payments are the agreements with employee groups through collective bargaining as well as the Township's personnel policy.

C. Risk Management

The Township purchases insurance coverage through traditional means. The Township's property and liability and workers compensation coverages are on file in the Risk Manager's office.

D. Contingencies

1. Consent Judgment

The Township entered into a settlement agreement with the City of Ypsilanti relative to dissolution of the Joint Ypsilanti Recreation Organization (JYRO). Under the settlement, all properties previously owned and managed by JYRO were conveyed to the Township in exchange for the following contingent payments from the Township to the City:

- a. 10% of gross revenues, for fifty years, from the operation of the Ford Lake Dam. Gross revenues are defined as revenues from dam operations less 20% reserve for capital improvements, until \$300,000 is accumulated.
- b. 50% of residual funds available after Dam, Park Operations, royalties and reserve requirements are paid from Dam revenues.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

V. OTHER INFORMATION – Continued

D. Contingencies – Continued

2. Ypsilanti Community Utility Debt

As discussed in the "Reporting Entity" the Township participates in a joint venture with the City of Ypsilanti, known as the Ypsilanti Community Utilities Authority. The Authority issues bonds that are backed by the full faith and credit (subject to constitutional limitations) of the City or Township. The proceeds of these bonds are used to construct the various infrastructure projects, and the recipient of these obligations have been made by the revenues of the Authority. As of August 31, 2006, (the latest audited information of the Authority) the total amount of these obligations was \$31,845,782.

3. Property Tax Litigation

Taxpayers have commenced litigation regarding valuation issues, and the Township also believes that recognition of losses is likely. While the exact amount of these losses is not known, a reasonable estimate based on information currently available is approximately \$240,460. This amount has been recognized as a loss and is recorded as a liability in the General Fund, Fire Fund, Law Enforcement, Solid Waste, Bike Sidewalk and Repair Fund, and Debt Service Fund.

Additionally, a major taxpayer has filed an appeal of its tax assessment potentially impacting revenue for fiscal years 2006 and forward. The Township's share of the taxes in dispute is \$461,702.

4. Law Enforcement Contracts

On January 1, 2006, the Township's contract for law enforcement services with the County expired. The Township initiated litigation over the cost structure used to pay for past, current and future services. The County asserted through a counter claim, that the Township owes additional sums above the amounts paid for services rendered in 2006, due to the failure of the Township to sign a contract. Additionally, both parties agree that the Township is owed credits for services not performed estimated to be \$200,000, for 2006.

The Township estimates the amount which may be due the County on its counter claim to be approximately \$1.7 million dollars. In addition, if the County prevails, contract costs in 2008 and 2009 are expected to rise significantly (approximately 36%).

The litigation between the parties remains unsettled, and the Township is unable to determine the probable outcome or a reasonable estimate of the potential liability, if any.

CHARTER TOWNSHIP OF YPSILANTI
Notes to Financial Statements
December 31, 2006

V. OTHER INFORMATION – Continued

D. Contingencies – Continued

5. Other Matters

There are various other legal actions pending against the Township. Due to the inconclusive nature of many of the actions, it is not possible to determine the probable outcome or a reasonable estimate of the Township's potential liability, if any.

E. Lease Agreement – Y.C.U.A.

On January 21, 1992 the Township entered into a lease agreement with the Ypsilanti Community Utilities Authority for the Service Center facility owned by the Township. The terms of the lease are as follows:

Effective Date:	10/1/90
Term:	20 Years
Annual Lease Payments:	\$ 220,000
Minimum Lease Payments (220,000 x 20):	\$4,400,000

This lease is classified as a "direct financing lease" as defined by the Financial Accounting Standard Board's statement number 13, as amended. The following summary lists the components of the "net investments" in direct financing lease as of December 31:

	<u>2006</u>
Total Minimum Lease Payments	
to be Received	\$ 550,000
Less: Amounts Representing Estimated Executory Costs	<u>-</u>
Minimum Lease Payments Receivable	550,000
Less: Allowance for Uncollectibles	<u>-</u>
Net Minimum Lease Payments Receivable	550,000
Estimated Residual Value of Property	<u>-</u>
	550,000
Less: Unearned Finance Income	<u>78,802</u>
Net Investment in Direct Financing Leases	<u>\$ 471,198</u>

No contingent rentals were included in the lease provisions. At December 31, 2006, minimum lease payments for the next three succeeding fiscal years are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 220,000
2008	220,000
2009	<u>110,000</u>
	<u>\$ 550,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF YPSILANTI
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended December 31, 2006

A. Police and Fire Pension

Actuarial Valuation Date	<u>Schedule of Funding Progress</u>				Covered Payroll	UAAL as a Percent of Covered Payroll
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded AAL (UAAL)	Funded Ratio		
12/31/97	\$17,102,734	\$12,005,001	\$(5,097,733)	142%	\$1,660,635	-
12/31/98	18,868,177	12,486,609	(6,381,568)	151%	1,658,459	-
12/31/99	20,704,196	14,433,723	(6,270,473)	143%	1,862,245	-
12/31/00	22,122,513	15,010,643	(7,111,870)	147%	1,850,554	-
12/31/01	23,036,055	15,848,237	(7,187,818)	145%	1,972,538	-
12/31/02	23,738,457	16,957,687	(6,780,770)	140%	1,977,181	-
12/31/03	23,632,588	18,055,207	(5,577,381)	131%	2,143,204	-
12/31/04	23,815,715	19,060,810	(4,754,905)	125%	2,274,281	-
12/31/05	24,105,951	20,780,318	(3,325,633)	116%	2,449,553	-

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2005, the latest actual valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent open
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	
Includes inflation at 5.5%	5.5 – 9.0%
Cost of living adjustments	None

Pension Reserves

Guidelines issued pursuant to the provisions of Act No 2 of the Public Acts of 1968 require maintenance of a reserve for pensions in payment status. The Reserves at December 31, 2005 (latest available information) are as follows:

	<u>December 31, 2005</u>
Reserve for Employees' Contributions	\$ 1,272,365
Reserve for Employer Contributions	11,890,910
Reserve for Retired Benefit Payments	10,771,503
Valuation Adjustment	-
Total Reserves	<u>\$ 23,934,778</u>

CHARTER TOWNSHIP OF YPSILANTI
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended December 31, 2006

B. Municipal Employees Retirement System

<u>Schedule of Funding Progress</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	(Overfunded) Underfunded <u>AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/97	\$4,757,027	\$ 5,269,435	\$ 512,408	90%	\$2,225,629	23%
12/31/98	5,399,360	5,795,815	396,455	93%	2,737,467	14%
12/31/99	6,346,615	6,245,781	(100,834)	102%	3,122,103	0%
12/31/00	7,189,767	7,445,144	255,377	97%	3,489,580	7%
12/31/01	7,883,773	8,563,964	680,191	92%	3,630,917	19%
12/31/02	8,287,051	9,555,195	1,268,144	87%	3,792,273	33%
12/31/03	9,147,480	10,214,254	1,066,774	90%	3,848,558	28%
12/31/04	9,857,507	11,349,056	1,491,549	87%	4,087,121	36%
12/31/05	10,556,735	12,442,438	1,885,703	85%	4,353,010	43%

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2005, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes inflation at	4.50-8.66%
Cost of living adjustments	None

C. Firefighters Retiree Health Care Benefit Fund

<u>Schedule of Funding Progress</u>					
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability AAL</u>	(Overfunded) Underfunded <u>AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>
12/31/03	\$304,719	\$ 8,751,570	\$ 8,446,851	3%	\$2,143,204
12/31/04	464,110	10,336,457	9,872,347	4%	2,274,281
12/31/05	722,655	15,859,822	15,137,167	5%	2,449,553

CHARTER TOWNSHIP OF YPSILANTI
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property Taxes	\$ 1,646,800	\$ 1,646,800	\$ 1,625,359	\$ (21,441)
Licenses and Permits	14,500	14,500	16,789	2,289
Intergovernmental - State	4,049,000	4,049,000	4,440,742	391,742
Revenues from Current Services	2,865,204	2,865,204	3,028,310	163,106
Interest Income	129,200	129,200	458,734	329,534
Other Revenues	611,250	621,250	742,417	121,167
Total Revenues	<u>9,315,954</u>	<u>9,325,954</u>	<u>10,312,351</u>	<u>986,397</u>
Expenditures:				
General Government:				
Township Board	154,570	154,570	149,339	5,231
Township Supervisor	183,710	183,710	177,792	5,918
District Court	1,320,734	1,324,574	1,218,649	105,925
Due Process	318,500	318,500	263,201	55,299
Township Treasurer	300,240	268,640	233,269	35,371
Township Clerk	355,120	355,120	326,479	28,641
Election Department	278,440	230,315	205,920	24,395
Accounting Department	238,200	238,200	230,191	8,009
Professional Services	43,000	43,000	40,515	2,485
Assessor's Office	603,170	603,170	568,681	34,489
Legal Services	368,190	961,190	839,231	121,959
Personnel	269,000	296,000	280,716	15,284
Purchasing Department	63,010	63,010	62,243	767
Board of Review	3,420	3,420	2,973	447
Residential Services Administration	123,180	123,180	117,929	5,251
Building Operations	922,410	927,835	887,471	40,364
Computer Services	194,880	180,680	173,555	7,125
General Service Administration	227,800	209,800	180,881	28,919
Total General Government	<u>5,967,574</u>	<u>6,484,914</u>	<u>5,959,035</u>	<u>525,879</u>
Community Development	<u>345,590</u>	<u>350,690</u>	<u>325,693</u>	<u>24,997</u>
Highways and Streets	<u>240,000</u>	<u>990,000</u>	<u>833,778</u>	<u>156,222</u>
Parks & Recreation:				
Recreation Department	<u>847,820</u>	<u>870,175</u>	<u>860,253</u>	<u>9,922</u>
Planning:				
Planning Commission	29,980	29,980	21,790	8,190
Board of Appeals	5,480	5,480	2,655	2,825
Total Planning	<u>35,460</u>	<u>35,460</u>	<u>24,445</u>	<u>11,015</u>

(continued)

CHARTER TOWNSHIP OF YPSILANTI
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (continued):				
Other Functions	\$ 1,001,700	\$ 1,320,465	\$ 1,221,017	\$ 99,448
Capital Outlay:				
District Court	8,500	8,500	14,720	(6,220)
Election	-	625	-	625
Computer Support	100,400	114,600	109,516	5,084
Recreation	10,000	10,000	5,930	4,070
Total Capital Outlay	<u>118,900</u>	<u>133,725</u>	<u>130,166</u>	<u>3,559</u>
Debt Service:				
Principal	440,000	440,000	440,000	-
Interest and Other Charges	<u>147,000</u>	<u>147,000</u>	<u>141,728</u>	<u>5,272</u>
Total Debt Service	<u>587,000</u>	<u>587,000</u>	<u>581,728</u>	<u>5,272</u>
Total Expenditures	<u>9,144,044</u>	<u>10,772,429</u>	<u>9,936,115</u>	<u>836,314</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>171,910</u>	<u>(1,446,475)</u>	<u>376,236</u>	<u>1,822,711</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	3,840	3,840	-
Operating Transfers Out	<u>(705,000)</u>	<u>(733,000)</u>	<u>(429,315)</u>	<u>303,685</u>
Total Other Financing Sources (Uses)	<u>(705,000)</u>	<u>(729,160)</u>	<u>(425,475)</u>	<u>303,685</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ <u>(533,090)</u>	\$ <u>(2,175,635)</u>	(49,239)	\$ <u>2,126,396</u>
Fund Balance - January 1			<u>5,877,197</u>	
Fund Balance - December 31			\$ <u>5,827,958</u>	

CHARTER TOWNSHIP OF YPSILANTI
Fire Department Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Property Taxes	\$ 4,310,000	\$ 4,310,000	\$ 4,295,161	\$ (14,839)
Licenses and Permits	-	-	6,265	6,265
Intergovernmental - Federal	303,990	303,990	299,293	(4,697)
Charges for Services	-	-	10,526	10,526
Interest Income	90,000	90,000	172,421	82,421
Contributions & Donations	-	-	1,000	1,000
Miscellaneous	-	-	12,149	12,149
Total Revenues	<u>4,703,990</u>	<u>4,703,990</u>	<u>4,796,815</u>	<u>92,825</u>
Expenditures:				
Public Safety:				
Fire Department	4,119,495	4,117,295	3,801,361	315,934
Civil Service Commission	22,390	22,390	7,540	14,850
Total Public Safety	<u>4,141,885</u>	<u>4,139,685</u>	<u>3,808,901</u>	<u>330,784</u>
Capital Outlay	<u>462,690</u>	<u>489,827</u>	<u>452,837</u>	<u>36,990</u>
Debt Service:				
Principal	124,000	124,000	123,385	615
Interest	7,000	7,000	6,213	787
Total Debt Service	<u>131,000</u>	<u>131,000</u>	<u>129,598</u>	<u>1,402</u>
Total Expenditures	<u>4,735,575</u>	<u>4,760,512</u>	<u>4,391,336</u>	<u>369,176</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>(31,585)</u>	\$ <u>(56,522)</u>	405,479	\$ <u>462,001</u>
Fund Balance - January 1			<u>2,844,841</u>	
Fund Balance - December 31			\$ <u>3,250,320</u>	

CHARTER TOWNSHIP OF YPSILANTI
Environmental Services Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Property Taxes	\$ 2,500,000	\$ 2,500,000	\$ 2,489,917	\$ (10,083)
Revenues from Current Services	32,000	32,000	42,675	10,675
Interest Earned	42,500	42,500	113,227	70,727
Total Revenues	<u>2,574,500</u>	<u>2,574,500</u>	<u>2,645,819</u>	<u>71,319</u>
Expenditures:				
Sanitation	<u>2,422,400</u>	<u>2,422,400</u>	<u>2,352,682</u>	<u>69,718</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>152,100</u>	\$ <u>152,100</u>	293,137	\$ <u>141,037</u>
Fund Balance - January 1			<u>1,719,790</u>	
Fund Balance - December 31			\$ <u>2,012,927</u>	

CHARTER TOWNSHIP OF YPSILANTI
Law Enforcement Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For The Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Property Taxes	\$ 5,387,400	\$ 5,387,400	\$ 5,363,653	\$ (23,747)
Intergovernmental	17,500	17,500	18,820	1,320
Interest Earned	23,500	23,500	82,132	58,632
Other	-	-	5,500	5,500
Total Revenues	<u>5,428,400</u>	<u>5,428,400</u>	<u>5,470,105</u>	<u>41,705</u>
Expenditures:				
Public Safety:				
Sheriff Services	4,598,070	4,616,020	4,516,118	99,902
Community Support	64,940	64,940	60,807	4,133
Ordinance	154,390	194,675	190,850	3,825
Total Public Safety	<u>4,817,400</u>	<u>4,875,635</u>	<u>4,767,775</u>	<u>107,860</u>
Capital Outlay	-	7,050	6,807	243
Total Expenditures	<u>4,817,400</u>	<u>4,882,685</u>	<u>4,774,582</u>	<u>108,103</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>611,000</u>	\$ <u>545,715</u>	695,523	\$ <u>149,808</u>
Fund Balance - January 1			<u>604,046</u>	
Fund Balance - December 31			\$ <u>1,299,569</u>	

CHARTER TOWNSHIP OF YPSILANTI
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006

	<u>Special Revenue</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,432,308	\$ 1,490,687	\$ 3,922,995
Receivables (net of allowance for uncollectibles):			
Taxes	24	15	39
Accounts	308,403	-	308,403
Due From Other Funds	193,072	-	193,072
Prepaid Expenditures	<u>741</u>	<u>-</u>	<u>741</u>
Total Assets	\$ <u>2,934,548</u>	\$ <u>1,490,702</u>	\$ <u>4,425,250</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 463,930	\$ -	\$ 463,930
Accrued Liabilities	292,117	12,286	304,403
Due to Other Funds	125,528	3,276	128,804
Due to Other Governmental Units	<u>48,553</u>	<u>-</u>	<u>48,553</u>
Total Liabilities	<u>930,128</u>	<u>15,562</u>	<u>945,690</u>
Fund Balance:			
Reserved for :			
Debt Service	-	1,475,140	1,475,140
Unreserved	<u>2,004,420</u>	<u>-</u>	<u>2,004,420</u>
Total Fund Balance	<u>2,004,420</u>	<u>1,475,140</u>	<u>3,479,560</u>
Total Liabilities and Fund Balance	\$ <u>2,934,548</u>	\$ <u>1,490,702</u>	\$ <u>4,425,250</u>

CHARTER TOWNSHIP OF YPSILANTI
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2006

	<u>Special Revenue</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Revenues:</u>			
Taxes	\$ 1,450,145	\$ 791,539	\$ 2,241,684
Licenses and Permits	654,629	-	654,629
Intergovernmental	332,925	-	332,925
Charges for Services	341,111	-	341,111
Interest and Rent	135,037	126,738	261,775
Other	303,681	159,388	463,069
Total Revenues	<u>3,217,528</u>	<u>1,077,665</u>	<u>4,295,193</u>
<u>Expenditures:</u>			
General Government	420	-	420
Public Safety	837,941	795,399	1,633,340
Public Works	659,052	-	659,052
Recreation and Cultural	751,799	-	751,799
Debt Service:			
Principal	-	1,580,000	1,580,000
Interest and Other Charges	-	199,067	199,067
Other	-	40,727	40,727
Capital Outlay	1,744,814	-	1,744,814
Total Expenditures	<u>3,994,026</u>	<u>2,615,193</u>	<u>6,609,219</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(776,498)</u>	<u>(1,537,528)</u>	<u>(2,314,026)</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	654,454	362,951	1,017,405
Operating Transfers Out	(225,139)	(3,840)	(228,979)
Total Other Financing Sources (Uses)	<u>429,315</u>	<u>359,111</u>	<u>788,426</u>
Net Change in Fund Balance	(347,183)	(1,178,417)	(1,525,600)
Fund Balance, January 1	<u>2,351,603</u>	<u>2,653,557</u>	<u>5,005,160</u>
Fund Balance, December 31	\$ <u><u>2,004,420</u></u>	\$ <u><u>1,475,140</u></u>	\$ <u><u>3,479,560</u></u>

CHARTER TOWNSHIP OF YPSILANTI
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2006

	<u>Parks Commission</u>	<u>Recreation, Bike Path, Sidewalk Repair</u>	<u>Bike Path, Sidewalk Recreation, Roads & General Operations</u>	<u>Environmental Cleanup</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 19,650	\$ 218,351	\$ 254,374	\$ 411,580
Receivables (net of allowance for uncollectibles):				
Taxes	-	24	-	-
Accounts	-	7,976	-	-
Due From Other Funds	-	41	-	-
Prepaid Expenditures	-	-	-	-
Total Assets	\$ <u>19,650</u>	\$ <u>226,392</u>	\$ <u>254,374</u>	\$ <u>411,580</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 9,960	\$ -
Accrued Liabilities	700	7,851	18,658	250,000
Due to Other Funds	-	-	18,075	-
Due to Other Governmental Units	-	-	-	-
Total Liabilities	700	7,851	46,693	250,000
Fund Balance:				
Unreserved:				
Undesignated	18,950	218,541	207,681	161,580
Total Liabilities and Fund Balance	\$ <u>19,650</u>	\$ <u>226,392</u>	\$ <u>254,374</u>	\$ <u>411,580</u>

<u>Noxious Weeds</u>	<u>State Grants</u>	<u>Building Department</u>	<u>Hydro Station</u>	<u>Public Improvement</u>	<u>Nuisance Abatement</u>	<u>Total</u>
\$ 15,109	\$ 66,226	\$ 541,122	\$ 72,964	\$ 826,149	\$ 6,783	\$ 2,432,308
-	-	-	-	-	-	24
-	216,893	-	83,534	-	-	308,403
-	189,341	989	2,162	539	-	193,072
-	-	-	741	-	-	741
<u>\$ 15,109</u>	<u>\$ 472,460</u>	<u>\$ 542,111</u>	<u>\$ 159,401</u>	<u>\$ 826,688</u>	<u>\$ 6,783</u>	<u>\$ 2,934,548</u>
\$ -	\$ 445,754	\$ 4,708	\$ 3,508	\$ -	\$ -	\$ 463,930
-	-	13,171	1,737	-	-	292,117
-	-	1,774	540	105,139	-	125,528
-	-	-	48,553	-	-	48,553
-	445,754	19,653	54,338	105,139	-	930,128
<u>15,109</u>	<u>26,706</u>	<u>522,458</u>	<u>105,063</u>	<u>721,549</u>	<u>6,783</u>	<u>2,004,420</u>
<u>\$ 15,109</u>	<u>\$ 472,460</u>	<u>\$ 542,111</u>	<u>\$ 159,401</u>	<u>\$ 826,688</u>	<u>\$ 6,783</u>	<u>\$ 2,934,548</u>

CHARTER TOWNSHIP OF YPSILANTI
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2006

	<u>Parks Commission</u>	<u>Recreation, Bike Path, Sidewalk Repair</u>	<u>Bike Path, Sidewalk Recreation, Roads & General Operations</u>	<u>Environmental Cleanup</u>
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 1,450,145	\$ -
Licenses and Permits	-	-	19,657	-
Intergovernmental	-	43,375	-	-
Charges for Services	9,158	-	-	-
Interest and Rent	634	17,611	22,951	18,310
Other	-	148,508	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>9,792</u>	<u>209,494</u>	<u>1,492,753</u>	<u>18,310</u>
<u>Expenditures:</u>				
General Government	-	363	57	-
Public Safety	-	-	-	-
Public Works	-	-	400,000	-
Recreation and Cultural	4,925	-	746,874	-
Capital Outlay	-	489,062	138,141	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,925</u>	<u>489,425</u>	<u>1,285,072</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,867</u>	<u>(279,931)</u>	<u>207,681</u>	<u>18,310</u>
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	4,867	(279,931)	207,681	18,310
Fund Balance, January 1	<u>14,083</u>	<u>498,472</u>	<u>-</u>	<u>143,270</u>
Fund Balance, December 31	\$ <u><u>18,950</u></u>	\$ <u><u>218,541</u></u>	\$ <u><u>207,681</u></u>	\$ <u><u>161,580</u></u>

<u>Noxious Weeds</u>	<u>State Grants</u>	<u>Building Department</u>	<u>Hydro Station</u>	<u>Public Improvement</u>	<u>Nuisance Abatement</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,450,145
-	-	634,972	-	-	-	654,629
-	289,550	-	-	-	-	332,925
20,000	-	-	279,679	-	32,274	341,111
589	2,271	28,093	2,895	41,269	414	135,037
-	154,000	1,173	-	-	-	303,681
<u>20,589</u>	<u>445,821</u>	<u>664,238</u>	<u>282,574</u>	<u>41,269</u>	<u>32,688</u>	<u>3,217,528</u>
-	-	-	-	-	-	420
-	-	837,941	-	-	-	837,941
-	-	-	197,932	-	61,120	659,052
-	-	-	-	-	-	751,799
<u>9,100</u>	<u>1,068,056</u>	<u>11,792</u>	<u>1,834</u>	<u>26,829</u>	<u>-</u>	<u>1,744,814</u>
<u>9,100</u>	<u>1,068,056</u>	<u>849,733</u>	<u>199,766</u>	<u>26,829</u>	<u>61,120</u>	<u>3,994,026</u>
<u>11,489</u>	<u>(622,235)</u>	<u>(185,495)</u>	<u>82,808</u>	<u>14,440</u>	<u>(28,432)</u>	<u>(776,498)</u>
-	624,506	-	1,948	-	28,000	654,454
-	-	-	-	(225,139)	-	(225,139)
-	<u>624,506</u>	<u>-</u>	<u>1,948</u>	<u>(225,139)</u>	<u>28,000</u>	<u>429,315</u>
11,489	2,271	(185,495)	84,756	(210,699)	(432)	(347,183)
<u>3,620</u>	<u>24,435</u>	<u>707,953</u>	<u>20,307</u>	<u>932,248</u>	<u>7,215</u>	<u>2,351,603</u>
\$ <u>15,109</u>	\$ <u>26,706</u>	\$ <u>522,458</u>	\$ <u>105,063</u>	\$ <u>721,549</u>	\$ <u>6,783</u>	\$ <u>2,004,420</u>

CHARTER TOWNSHIP OF YPSILANTI
Nonmajor Debt Service Funds
Combining Balance Sheet
December 31, 2006

	<u>General Obligation Debt Serv.</u>	<u>Building Authority Debt Serv.</u>	<u>Series A Debt Serv. Fund</u>	<u>Series B Debt Serv. Fund</u>	<u>2006 Capital Improvement Debt Serv. Fund</u>	<u>Total</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 546,001	\$ -	\$ 26,540	\$ 549,153	\$ 368,993	\$ 1,490,687
Receivables (net of allowance for uncollectibles):						
Taxes	15	-	-	-	-	15
Total Assets	<u>\$ 546,016</u>	<u>\$ -</u>	<u>\$ 26,540</u>	<u>\$ 549,153</u>	<u>\$ 368,993</u>	<u>\$ 1,490,702</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accrued Liabilities	\$ 12,286	\$ -	\$ -	\$ -	\$ -	\$ 12,286
Due to Other Funds	3,276	-	-	-	-	3,276
Total Liabilities	<u>15,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,562</u>
Fund Balance:						
Reserved for Debt Service	<u>530,454</u>	<u>-</u>	<u>26,540</u>	<u>549,153</u>	<u>368,993</u>	<u>1,475,140</u>
Total Liabilities and Fund Balance	<u>\$ 546,016</u>	<u>\$ -</u>	<u>\$ 26,540</u>	<u>\$ 549,153</u>	<u>\$ 368,993</u>	<u>\$ 1,490,702</u>

CHARTER TOWNSHIP OF YPSILANTI
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2006

	General Obligation Debt Serv.	Building Authority Debt Serv.	Series A Debt Serv. Fund	Series B Debt Serv. Fund	2006 Capital Improvement Debt Serv. Fund	Total
<u>Revenues:</u>						
Property Taxes	\$ 791,539	\$ -	\$ -	\$ -	\$ -	791,539
Other	159,388	-	-	-	-	159,388
Interest and Rent	91,753	109	1,524	27,310	6,042	126,738
Total Revenues	<u>1,042,680</u>	<u>109</u>	<u>1,524</u>	<u>27,310</u>	<u>6,042</u>	<u>1,077,665</u>
<u>Expenditures:</u>						
Public Safety	795,399	-	-	-	-	795,399
Other	1,371	-	-	39,356	-	40,727
Debt Service						
Principal Retirement	175,000	-	-	1,405,000	-	1,580,000
Interest and Fees	7,263	-	16,726	175,078	-	199,067
Total Expenditures	<u>979,033</u>	<u>-</u>	<u>16,726</u>	<u>1,619,434</u>	<u>-</u>	<u>2,615,193</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>63,647</u>	<u>109</u>	<u>(15,202)</u>	<u>(1,592,124)</u>	<u>6,042</u>	<u>(1,537,528)</u>
<u>Other Financing Sources (Uses):</u>						
Operating Transfers In	-	-	-	-	362,951	362,951
Operating Transfers Out	-	(3,840)	-	-	-	(3,840)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(3,840)</u>	<u>-</u>	<u>-</u>	<u>362,951</u>	<u>359,111</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Expenditures	<u>63,647</u>	<u>(3,731)</u>	<u>(15,202)</u>	<u>(1,592,124)</u>	<u>368,993</u>	<u>(1,178,417)</u>
Fund Balance, January 1	<u>466,807</u>	<u>3,731</u>	<u>41,742</u>	<u>2,141,277</u>	<u>-</u>	<u>2,653,557</u>
Fund Balance, December 31	\$ <u><u>530,454</u></u>	\$ <u><u>-</u></u>	\$ <u><u>26,540</u></u>	\$ <u><u>549,153</u></u>	\$ <u><u>368,993</u></u>	\$ <u><u>1,475,140</u></u>

CHARTER TOWNSHIP OF YPSILANTI
Internal Service Funds
Combining Statement of Net Assets
December 31, 2006

<u>ASSETS</u>	<u>Motor Pool Fund</u>	<u>Compost Center</u>	<u>Total</u>
Current Assets:			
Cash and Cash Equivalents	\$ 773,236	\$ 558,849	\$ 1,332,085
Accounts Receivable	14,565	6,180	20,745
Due from Other Funds	16,249	8,913	25,162
Prepaid Expense	-	2,046	2,046
Inventory	23,900	-	23,900
Total Current Assets	<u>827,950</u>	<u>575,988</u>	<u>1,403,938</u>
Property, Plant and Equipment:			
Building Improvements	-	112,167	112,167
Machinery and Equipment	13,425	761,648	775,073
Vehicles	<u>405,762</u>	<u>-</u>	<u>405,762</u>
	419,187	873,815	1,293,002
Less: Accumulated Depreciation	<u>(347,574)</u>	<u>(254,986)</u>	<u>(602,560)</u>
Net Property, Plant and Equipment	<u>71,613</u>	<u>618,829</u>	<u>690,442</u>
Total Assets	\$ <u>899,563</u>	\$ <u>1,194,817</u>	\$ <u>2,094,380</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
Current Liabilities:			
Payables:			
Accounts	\$ 25,996	\$ 6,674	\$ 32,670
Due to Other Funds	-	386	386
Salaries	<u>-</u>	<u>2,039</u>	<u>2,039</u>
Total Current Liabilities	<u>25,996</u>	<u>9,099</u>	<u>35,095</u>
Fund Equity:			
Invested in Capital Assets, Net of Related Debt	71,613	618,829	690,442
Unrestricted	<u>801,954</u>	<u>566,889</u>	<u>1,368,843</u>
Total Fund Equity	<u>873,567</u>	<u>1,185,718</u>	<u>2,059,285</u>
Total Liabilities and Fund Equity	\$ <u>899,563</u>	\$ <u>1,194,817</u>	\$ <u>2,094,380</u>

CHARTER TOWNSHIP OF YPSILANTI
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Equity
For the Year Ended December 31, 2006

	<u>Motor Pool Fund</u>	<u>Compost Center</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$ 277,220	\$ 356,423	\$ 633,643
Operating Expenses:			
Cost of Sales	129,786	57,778	187,564
Personal Services	11,641	113,900	125,541
Supplies, Repairs, Insurance and Other Expenses	33,827	27,728	61,555
Administrative	-	7,140	7,140
Depreciation	29,489	69,285	98,774
Total Operating Expenses	<u>204,743</u>	<u>275,831</u>	<u>480,574</u>
Operating Income (Loss)	72,477	80,592	153,069
Non-Operating Revenues (Expenses):			
Interest Earned	<u>31,558</u>	<u>20,431</u>	<u>51,989</u>
Net Income	104,035	101,023	205,058
Fund Equity, January 1	<u>769,532</u>	<u>1,084,695</u>	<u>1,854,227</u>
Fund Equity, December 31	\$ <u><u>873,567</u></u>	\$ <u><u>1,185,718</u></u>	\$ <u><u>2,059,285</u></u>

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March 20, 2007

Board of Trustees
Charter Township of Ypsilanti
Ypsilanti, Michigan

In planning and performing our audit of Charter Township of Ypsilanti for the year ended December 31, 2006, we have considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions in these areas. This letter does not affect our report dated March 20, 2007, on the financial statements of Charter Township of Ypsilanti.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or assist in their implementation.

Respectfully,


Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

Community and Economic Development Pass Through Fees and Deposits

The department is currently working on collecting developer escrow past due amounts which in some cases related to periods several years ago. New procedures are in place to help ensure that costs applied to projects will not exceed amounts on deposit. The Planning Director has set a goal to clear a majority of the accounts by year end.

Checking Accounts

The Township still uses manual checks for a variety of disbursements: current property taxes, certain "in between" accounts payable checks and "end payroll checks". We suggest that these payments be accomplished through the automated accounts payable process, as the software system is capable of handling multiple cash disbursement accounts.

Software

The District Court has recognized the need to enhance or replace existing software in order to better manage the control over cash receipts. Currently the Court cannot run reports on a daily, weekly or monthly basis of the amounts of money to remit to each agency. The Court currently uses the manual cash register and the transaction receipt produced by the ticket accounting software to post to the check register software, which calculates the amounts due, by sorting the daily activity. This system is labor intensive, and prone to errors. The Court administration is well aware of these deficiencies, and has not been able to accomplish improvements to the current system, and is searching for alternative software solutions.

The Township accounting system also appears to be in need of new software to help streamline processes. We suggest that software be acquired to link data from the Treasurer's office into the general ledger system. Currently, daily cash receipts are entered by journal entry, which is a manual process. Additionally, improvements to the bank reconciliation and payroll tasks could be achieved with better software tools. Many steps occur in both of these areas, which could be automated. We suggest that the Township also consider third party payroll, as an alternative to new payroll software, when reviewing options.

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Post employment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the Township as a whole to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid, in the "Entity Wide" financial statements. The new pronouncement is effective for the year ending December 31, 2008, and will require actuarial valuations of the liability at least tri-annually.

Other Internal Control Matters

To further improve internal control, and cash flow, we suggest the following:

- Consider "positive pay" which is a service offered by your bank which records pertinent information about each check such as the amount, the check number, bank information and date, and then transmits it to the bank to be verified, before the check can be paid. This will help insure that only authorized payments are paid by the bank.
- Changes to wage rates, adding or terminating employees should only be made by Human Resource Department, or employees independent of the payroll function. Currently the accounting department makes the changes to the payroll system based on authorized changes from Human Resources.
- Full access to the cash management direct deposit software should be limited to the Treasurer's office only. Accounting department personnel should have limited rights to view information in the system for reconciliation purposes.
- Fuel Sales – continue to be a problem, despite numerous efforts by management, sales are still "short" based on gasoline purchases. We recommend that the Township consider discontinuing fuel sales to third parties, and that site cards be used for most of its own purchases.

Golf Course Fund

The Fund lost \$108,548 on operations in 2006, this loss left the fund with only \$19,672 in "unrestricted assets". The administration is in the process of determining methods to return the fund to profitability either through revenue enhancements or cost reductions, to avoid future deficits.

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May 2, 2007

Board of Trustees
Charter Township of Ypsilanti
Ypsilanti, Michigan

In planning and performing our audit of the financial statements of Charter Township of Ypsilanti as of and for the year ended December 31, 2006 in accordance with auditing standards generally accepted in the United States of America, we considered Charter Township of Ypsilanti's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

District Court Cash Controls - inadequate segregation of duties - employees who open mail, handle cash receipts have the ability to make non cash (monetary) adjustments to case management system, by voiding transactions or other non cash dispositions. The Court has indicated that new procedures were implemented in 2007 address these concerns.

District Court Information Systems - Currently the Court cannot run reports on a daily, weekly or monthly basis of the amounts of money to remit to each agency. The Court currently uses the manual cash register and the transaction receipt produced by the ticket accounting software to post to the check register software, which calculates the amounts due, by sorting the daily activity. This system is labor intensive, and could be prone to errors if amounts are mis-posted. The Court is in the process of reviewing alternative software solutions which may address these concerns.

This communication is intended solely for the information and use of management, the Board of Trustees of the Charter Township of Ypsilanti, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants